

**Appendix E.
Division Medical Assistance
Bulletin 115
Ancillary Pilot Project**

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Commonwealth of Massachusetts
Executive Office of Health and Human Services
Division of Medical Assistance
600 Washington Street
Boston, MA 02111

MassHealth
Nursing Facility Bulletin 115
August 1998

TO: Nursing Facilities Participating in MassHealth
FROM: Bruce M. Bullen, Commissioner
RE: Voluntary Ancillary Pilot Project

Introduction

The Division is conducting a voluntary pilot project. The project will study the inclusion of ancillary goods and services in nursing-facility per diem rates. The purpose of this bulletin is to describe how the voluntary ancillary pilot will be conducted.

Informational Sessions

The Division of Medical Assistance, in collaboration with the Division of Health Care Finance and Policy and the Massachusetts Extended Care Federation (MECF), will be holding three statewide informational meetings. Please contact MECF at (617) 558-0202 to register for one of the following sessions and for directions.

Tuesday, August 25, 1998
10:00 a.m. to 12:00 p.m.

Willows at Westborough,
1 Lyman St.
Westborough, MA

Wednesday, August 26, 1998
10:00 a.m. to 12:00 p.m.

Mass. Extended Care Federation
2310 Washington St.
Newton Lower Falls, MA

Thursday, August 27, 1998
10:00 a.m. to 12:00 p.m.

Elihu White Nursing and Rehab. Ctr.
95 Commercial St.
Braintree, MA.

Objectives

The main objectives of the voluntary pilot project are to:

1. collect information to enhance the Division's understanding of how best to include ancillary goods and services into fully bundled nursing facility rates; and
2. assess what accommodations may be needed to ensure access to adequate and appropriate service levels for MassHealth members.

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Overview

The ancillary pilot project will:

1. determine for each participating facility a per diem Medicaid ancillary cost per day based on state fiscal year (SFY) 1996 ancillary claims payments, inflated for the pilot period during SFY 1999. Throughout the remainder of this bulletin this amount will be referred to as the facility specific rate (FSR);
2. utilize a statewide standard payment per day for ancillary goods and services. The statewide standard payment per day (SSPD) equals \$5.85;
3. pay a participating facility based on a risk/return model (Risk/return sharing between the facility and the Division will be in the form of a retrospective settlement considering the prospective ancillary allowance and the actual amount expended by the Division in payments to ancillary vendors.);
4. exclude from retrospective settlement calculation any patient with ancillary spending per patient day in excess of 500% of the statewide-average ancillary-per-diem payment for the period of the pilot project;
5. reconcile each facility's final payments at the end of the pilot project;
6. allow ancillary vendors to continue to bill the Division directly; and
7. make available for each participating facility monthly updates on ancillary spending.

Payment

A facility chosen to participate in the pilot project will be assigned to one of two payment groups depending on their FSR. (Please refer to Attachment A to determine the payment model for your facility) The groups are as follows:

1. Group I, Standard Payment Model: A facility will be assigned to this group if their FSR falls between the statewide standard of \$5.85 and \$7.02 (120% of \$5.85).
2. Group II, Outlier Payment Model: A facility will be assigned to this group if their FSR falls either between \$1.17 (20% of \$5.85) and \$5.85 or between \$7.02 (120% of \$5.85) and \$11.70 (200% of \$ 5.85). Facilities with spending levels less than \$1.17 or greater than \$11.70 are excluded from participation in the pilot project.

Billing

For administrative simplicity, vendors of ancillary goods and services will continue to submit claims to the Division directly, and the Division will continue to process these claims for payment.

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***Final Settlement,
Group I***

There is no financial risk for facilities participating in this group. The baseline amount for this group is the statewide standard per diem of \$5.85. Settlements at the end of the pilot period will be based on: payments to vendors during the pilot; the statewide standard per diem (\$5.85); and the facility specific rate (FSR). The methods for settlement will be:

1. if vendor payments are less than the FSR but are greater than \$5.85 (SSPD), the Division will pay the facility 25% of the difference between their FSR and actual vendor payments; or
2. if vendor payments are less than \$5.85 (SSPD), the Division will pay:
 - a. the amount calculated in (1) above, plus 50% of the difference between \$5.85 and the actual vendor payments up to \$2.93 (50% of \$5.85); or
 - b. if vendor payments exceed the FSR there will be no settlement with the facility.

***Final Settlement,
Group II***

The baseline amount for this group is the amount equal to the facility specific rate (FSR). Final settlement will be based on the difference between vendor payments and the baseline amount (FSR). The methods for settlements will be:

1. if vendor payments are less than the FSR, down to and including 50% of that amount, the Division will pay the facility an amount equal to 50% of the difference; or
2. if vendor payments exceed the FSR, up to and including 150% of that amount, then the facility will reimburse the Division for 25% of the difference between that amount and the actual vendor payments.

Reconciliation and settlement through this approach effectively cap both the downside and upside financial exposure for facilities. Risk is capped at 12.5% of the FSR. Return is capped at 25% of the FSR.

Special Conditions

For ancillaries that are provided by the facility itself there will be no payment to the facility or to special vendors. These are services the facility decides to make rather than buy or to make special contracts with vendors for fees below levels in the MassHealth rate schedule. These amounts will not be considered part of the incurred vendor payments. This means that the facility and the Division will share in the reduction of vendor payments that may result from such arrangements. For these situations the facility will:

1. notify the Division (Lisa McDowell) in writing of the changes being made and the affected services; and
2. segregate the costs incurred in providing the goods and services.

Settlement examples and grids for both groups can be found in Attachments B and B1.

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Timing and Duration

The pilot project will run from October 1, 1998, through June 30, 1999. The project sample will constitute those residents in the facility on October 1, 1998, and those admitted to the facility between October 1, 1998, and March 31, 1999. The data collection period will run from October 1, 1998, through June 30, 1999, allowing all residents to be tracked for the duration of their stay or for three months, whichever is shorter. The final evaluation activity will occur from July 1, 1999, to September 30, 1999.

Evaluation Protocols

The evaluation will rely on facility pre- and post-pilot comparisons and comparisons with all nonparticipating facilities. The intent is to describe outcomes and issues of the administrative feasibility of bundled payment. The issues that will be examined include changes and/or differences in:

1. MassHealth payments for ancillaries, and for all health care taken together for patients served under the participating groups;
2. prescribing patterns and frequency of key, necessary therapies and pharmaceuticals, and the appropriateness of this care (including treatment for secondary conditions);
3. frequency and patterns of admission for persons with high ancillary costs or heavy care needs; and
4. corroborating evidence of changes in clinical and administrative decision making.

Evaluation Data Needs

Several types of data will be needed to answer the evaluation questions. These data include the following.

1. Medical records data.
 2. MDS/MMQ data.
 3. Claims and payment data for study patients. (Claims data in the baseline and post period will be provided by the Division.)
 4. Qualitative management information — intensive case studies at 10-12 facilities. (These administrative studies will require two or three site visits each in order to document the changes in clinical and administrative decision making regarding ancillaries and the nature of in-house controls and physician interactions. It is also likely that the qualitative data collection will include focus groups or direct interviewing of persons conducting discharge planning in selected hospitals to determine if there are patterns of restricted access (difficult placement) for certain types patients in pilot facilities.)
 5. Tracer conditions — selected conditions where pilot effects are expected to be most pronounced or most interesting.
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Selection Criteria

The selection of facilities to participate in the pilot project will be determined by the Division. At a minimum, facilities must meet the following criteria in order to be considered for participation in the pilot project.

1. Capacity of 60 or greater beds.
2. Facility-specific ancillary costs per patient day between \$1.17 and \$11.70 (See Attachment C).
3. No significant changes in facility operations since 1996 including, but not limited to: mission, licensure, and casemix.
4. No substandard quality of care issues identified by the Department of Public Health that may impact participation and/or outcomes of the study.

Obligations of Participants

Facilities that are selected to participate will agree to:

1. remain in the pilot for the duration of the project;
2. provide all necessary data including MDS on patients;
3. provide access for medical-record reviews;
4. allow interviews and observation by evaluators;
5. notify the Division of special arrangements for ancillaries; and
6. retain associated cost information.

Applications

Facilities that meet the minimum participation requirements and that are interested in applying should complete the Application Form found in Attachment D. The deadline for the receipt of applications is August 31, 1998. Send your applications to:

Lisa McDowell
Division of Medical Assistance
600 Washington St.
Boston, MA 02111

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ATTACHMENT B.

SETTLEMENT EXAMPLES

Group I. Standard Rate Model. State Standard Per Diem(SSPD) \$ 5.85	Facility and Risk/Share Information
Historical ancillaries for this facility:	\$6.00 PPD (Per Patient Day)
Rate allowed for this facility	\$5.85 (within the group of NF's paid the SSPD)
Limit on payments for profit sharing	\$2.93 (50% of the standard rate)
Retrospective Settlement:	
If payments to vendors are \$2.50 then state pays facility	50% * \$2.93 = \$1.47 plus 25% * (\$6.00-\$5.85=\$0.15)= \$0.38 Total Settlement: \$1.50 PPD
If payments to vendors are \$4.50 then state pays facility	50% * (\$ 5.85-\$4.50 = \$1.35) = \$0.68 plus 25% * (\$6.00-\$5.85 = \$0.15) = \$0.38 Total Settlement: \$0.71 PPD
If payments to vendors are \$5.50 then state pays facility	50% * (\$5.85-\$5.50=\$0.35 = \$0.175 plus 25% * (\$6.00-\$5.85=\$0.15) = \$0.38 Total Settlement: \$0.21 PPD
If payments to vendors are \$5.75 then state pays the facility	25%*(\$ 6.00-\$5.75=\$0.25) = \$0.063 Total Settlement: \$0.063 PPD
If payments to vendors are \$6.95	No Settlement
Group II. Outlier Rate Model. State Standard Per Diem(SSPD) \$ 5.85	Facility and Risk/Share Information
Historical ancillaries for this facility:	\$5.00 PPD (Per Patient Day)
Rate allowed for this facility	\$5.00 (facility specific rate)
Limit on payments for profit sharing	\$2.50 (50% of the facility specific rate)
Limit on payments for loss sharing	\$7.50
Retrospective Settlement:	
If payments to vendors are \$2.50 then state pays facility	50% * (\$2.50)= \$1.25(the limit) Total Settlement: \$1.25
If payments to vendors are \$4.50 then state pays facility	50% * (\$ 5.00-\$4.50 = \$.50) = \$0.25 PPD Total Settlement: \$0.25 PPD
If payments to vendors are \$5.75 then facility pays the state	25% * (\$5.75-\$5.00= \$.75) = \$0.19 Total Settlement: \$0.19 PPD
If payments to vendors are \$ 8.50 then facility pays the state	25% * (\$2.50)= \$0.63 (the limit) Total Settlement: \$0.63 (the limit) PPD

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ATTACHMENT B1

STANDARD PAYMENT MODEL

	\$2.93 (50% SSPD)	\$5.85 (SSPD)	FSR BASELINE	\$7.02
			0%	0% NF
				RISK
			100%	100% DMA
NF: 0%	50%	25%		
DMA: 100%	50%	75%		

SETTLEMENT SHARES

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ATTACHMENT B2

OUTLIER PAYMENT MODEL

	50% of FSR	FSR	150% of FSR	
			25%	0% NF
			75%	100% DMA
				RISK
NF: 0%	50%			
DMA: 100%	50%			
RETURN				

SETTLEMENT RISK SHARES

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ATTACHMENT C.

FACILITY'S PILOT PARTICIPATION STATUS

I N E L I G I B L E					
		Outlier	Standard	Outlier	
		Payment	Payment	Payment	
		Model	Model	Model	
	\$1.17	\$ 5.85	\$7.02	\$ 11.70	

HISTORICAL ANCILLARY COSTS

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APPLICATION FOR PARTICIPATION**PARTICIPANT INFORMATION**

FACILITY NAME	
STREET	
CITY	
STATE	
ZIPCODE	
VPN	
TOTAL # BEDS	

PILOT INFORMATION

PAYMENT GROUP	<input type="checkbox"/> STANDARD
	<input type="checkbox"/> OUTLIER
BASELINE AMOUNT	\$

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